

TOWNSHIP OF RILEY
St. Clair County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Riley	County St. Clair
Audit Date March 31, 2007	Opinion Date August 22, 2007	Date Accountant Report Submitted to State: August 22, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☒ yes ☐ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF RILEY
St. Clair County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

August 22, 2007

To the Township Board
Township of Riley
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Riley, St. Clair County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Riley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Riley, St. Clair County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF RILEY
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Riley covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$505,706.15 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$630,450.90 from governmental activities. Governmental activities had a \$46,386.88 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, Ordinance Fund, Building Permit Fund, Building Capital Project Fund, Waste Disposal Fund, and the Current Tax Collection Fund.

TOWNSHIP OF RILEY
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, Building Permit Fund, Waste Disposal Fund, and the Building Capital Project Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

We continue to pay on our long-term debt. The Township issued bonds in the amount of \$400,000.00 on July 1, 2002, for the purpose of paying part of the cost to acquire, renovate, furnish, and equip a building and land to serve as new Township offices.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are fire protection which incurred expenses of \$58,458.11 and highways and streets which incurred expenses of \$39,131.45.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities paid \$15,000.00 of principal on the general obligation limited tax bonds payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is uncertain and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at (810)392-3585 or the Township Treasurer at (810)392-2326.

TOWNSHIP OF RILEY
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	404 367 00
Taxes receivable	<u>23 112 76</u>
Total Current Assets	<u>427 479 76</u>
NON-CURRENT ASSETS:	
Capital Assets	495 661 91
Less: Accumulated Depreciation	<u>(62 435 52)</u>
Total Non-current Assets	<u>433 226 39</u>
TOTAL ASSETS	<u><u>860 706 15</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES:	
Bonds payable	<u>355 000 00</u>
Total Non-current Liabilities	<u>355 000 00</u>
Total Liabilities	<u>355 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	78 226 39
Unrestricted	<u>427 479 76</u>
Total Net Assets	<u>505 706 15</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>860 706 15</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	3 017 20	-	(3 017 20)
General government	236 158 42	38 612 90	(197 545 52)
Public safety	103 817 96	60 377 25	(43 440 71)
Public works	209 425 35	202 794 47	(6 630 88)
Culture and recreation	14 182 59	13 095 55	(1 087 04)
Interest on long-term debt	17 462 50	-	(17 462 50)
Total Governmental Activities	<u>584 064 02</u>	<u>314 880 17</u>	<u>(269 183 85)</u>
General Revenues:			
Property taxes			81 249 18
State revenue sharing			212 048 23
Interest			16 439 70
Miscellaneous			<u>5 833 62</u>
Total General Revenues			<u>315 570 73</u>
Change in net assets			46 386 88
Net assets, beginning of year			<u>459 319 27</u>
Net Assets, End of Year			<u>505 706 15</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>General</u>	<u>Waste Disposal</u>	<u>Other Funds</u>
<u>Assets</u>			
Cash in bank	237 308 50	131 803 53	30 448 65
Taxes receivable	8 155 72	14 957 04	-
Due from other funds	<u>4 806 32</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>250 270 54</u></u>	<u><u>146 760 57</u></u>	<u><u>30 448 65</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>250 270 54</u>	<u>146 760 57</u>	<u>30 448 65</u>
Total fund equity	<u><u>250 270 54</u></u>	<u><u>146 760 57</u></u>	<u><u>30 448 65</u></u>
Total Liabilities and Fund Equity	<u><u>250 270 54</u></u>	<u><u>146 760 57</u></u>	<u><u>30 448 65</u></u>

The accompanying notes are an integral part of these financial statements.

Total

399 560 68
23 112 76
4 806 32

427 479 76

-
-

427 479 76
427 479 76

427 479 76

TOWNSHIP OF RILEY
St. Clair County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	427 479 76
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	495 661 91
Accumulated depreciation	(62 435 52)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	<u>(355 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>505 706 15</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2007

	<u>General</u>	<u>Waste Disposal</u>	<u>Other Funds</u>
Revenues:			
Property taxes	81 249 18	-	-
Licenses and permits	15 860 00	-	36 584 00
State revenue sharing	212 048 23	-	-
Charges for services	70 651 70	-	-
Interest	12 419 73	2 472 69	1 547 28
Special assessments	-	191 784 47	-
Miscellaneous	5 833 62	-	-
Total revenues	<u>398 062 46</u>	<u>194 257 16</u>	<u>38 131 28</u>
Expenditures:			
Legislative:			
Township Board	3 017 20	-	-
General government:			
Supervisor	15 107 51	-	-
Elections	4 287 22	-	-
Assessor	24 665 28	-	-
Clerk	19 005 72	-	-
Board of Review	2 058 99	-	-
Treasurer	26 518 32	-	-
Building and grounds	7 885 61	-	-
Unallocated	126 910 45	-	-
Public safety:			
Fire protection	58 458 11	-	-
Protective inspection	-	-	39 059 66
Planning and zoning	6 300 19	-	-
Public works:			
Highways and streets	39 131 45	-	-
Street lights	3 629 80	-	-
Drains	2 999 17	-	-
Sanitation	-	163 664 93	-
Culture and recreation:			
Parks and recreation	11 147 46	-	-
Debt service	32 462 50	-	-
Total expenditures	<u>383 584 98</u>	<u>163 664 93</u>	<u>39 059 66</u>
Excess (deficiency) of revenues over expenditures	14 477 48	30 592 23	(928 28)
Fund balances, April 1	<u>235 793 06</u>	<u>116 168 34</u>	<u>31 377 03</u>
Fund Balances, March 31	<u><u>250 270 54</u></u>	<u><u>146 760 57</u></u>	<u><u>30 448 65</u></u>

The accompanying notes are an integral part of these financial statements.

Total

81 249 18
52 444 00
212 048 23
70 651 70
16 439 70
191 784 47
5 833 62

630 450 90

3 017 20

15 107 51
4 287 22
24 665 28
19 005 72
2 058 99
26 518 32
7 885 61
126 910 45

58 458 11
39 059 66
6 300 19

39 131 45
3 629 80
2 999 17
163 664 93

11 147 46
32 462 50

586 309 57

44 141 33

383 338 43

427 479 76

TOWNSHIP OF RILEY
St. Clair County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	44 141 33
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(12 754 45)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>15 000 00</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>46 386 88</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Riley, St. Clair County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Riley. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Fund

This fund is used to account for specific construction projects of the Township.

Fiduciary Funds

The Current Tax Collection and Ordinance Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was .7242 mills, and the taxable value was \$113,067,553.00.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-30 years
Furniture and equipment	7-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 3 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>462 515 83</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	113 285 80
Uninsured and Uncollateralized	<u>12 955 15</u>
Total Deposits	<u>126 240 95</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk Categorized				
Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized:				
Financial Institution				
Pooled Funds				<u>338 726 00</u>
Total Investments				<u>338 726 00</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
<u>Governmental Activities:</u>				
Land	190 309 91	-	-	190 309 91
Buildings	274 973 00	-	-	274 973 00
Equipment	30 379 00	-	-	30 379 00
 Total	495 661 91	-	-	495 661 91
Accumulated Depreciation	(49 681 07)	(12 754 41)	-	(62 435 52)
Net Capital Assets	445 980 84	(12 754 41)	-	433 226 39

Note 5 – Budget Variances

During the fiscal year ended March 31, 2007, Township expenditures exceeded the budgeted amounts in the activities as follows:

	Total Budget	Total Expenditures	Excess Expenditures
Waste Disposal Fund:			
Sanitation	148 000 00	163 664 93	15 664 93

Note 6 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 4/1/06	Additions	Deductions	Balance 3/31/07
Bonds Payable	370 000 00	-	15 000 00	355 000 00

Note 7 – 2002 General Obligation Limited Tax Bonds Payable

On July 1, 2002, the Township of Riley issued bonds in the amount of \$400,000.00 for the purpose of paying part of the cost to acquire, renovate, furnish and equip a building and site to serve as new Township offices. The Township has pledged its limited tax full faith and credit for the prompt payment of the bonds. The bonds bear interest at rates that vary from 4.2% to 6.2% per annum, payable semi-annually. The principal balance outstanding as of March 31, 2007, was \$355,000.00.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 7 – 2002 General Obligation Limited Tax Bonds Payable – (continued)

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
4-1-08	15 000 00	4.20
4-1-09	20 000 00	4.20
4-1-10	20 000 00	4.20
4-1-11	20 000 00	4.20
4-1-12	20 000 00	4.25
4-1-13	25 000 00	4.35
4-1-14	25 000 00	4.50
4-1-15	25 000 00	4.60
4-1-16	25 000 00	4.70
4-1-17	30 000 00	4.80
4-1-18	30 000 00	4.90
4-1-19	30 000 00	5.00
4-1-20	30 000 00	5.10
4-1-21	<u>40 000 00</u>	5.20
Total	<u>355 000 00</u>	

Note 8 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	66 93	Ordinance	66 93
General	<u>4 739 39</u>	Current Tax Collection	<u>4 739 39</u>
Total	<u>4 806 32</u>	Total	<u>4 806 32</u>

Note 9 – Deferred Compensation Plan

The Township of Riley offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. Nationwide Life Insurance Company is an agent of the Township of Riley for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township of Riley's financial statements. Each person elects the amount to be withheld from their pay. Withholdings range from 3.75% to 25% of gross wages. The Township contributes 3.75% of each person's gross wages. During the year ended March 31, 2007, the Township's contribution was \$5,861.32.

TOWNSHIP OF RILEY
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 10 – Retirement Plan

The Township has a defined contribution pension plan covering all elected officials. The Township contributes twenty-four percent of each participating employee's wages to the plan. During the year ended March 31, 2007, the Township's retirement contribution was \$23,069.29.

Note 11 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12 – Building Permits

As of March 31, 2007, the Township had building permit revenues of \$36,584.00 and building permit expenses of \$39,059.66.

TOWNSHIP OF RILEY
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	86 250 00	81 770 90	81 249 18	(5 000 82)
Licenses and permits	2 800 00	2 800 00	15 860 00	13 060 00
State revenue sharing	217 744 00	217 744 00	212 048 23	(5 695 77)
Charges for services	59 850 00	59 850 00	70 651 70	10 801 70
Interest	14 000 00	14 000 00	12 419 73	(1 580 27)
Miscellaneous	15 000 00	15 300 00	5 833 62	(9 166 38)
Total revenues	395 644 00	395 644 00	398 062 46	2 418 46
Expenditures:				
Legislative:				
Township Board	4 500 00	4 500 00	3 017 20	(1 482 80)
General government:				
Supervisor	15 550 00	15 550 00	15 107 51	(442 49)
Elections	4 300 00	4 300 00	4 287 22	(12 78)
Assessor	26 500 00	26 500 00	24 665 28	(1 834 72)
Clerk	18 817 00	19 006 72	19 005 72	(1 00)
Board of Review	1 900 00	2 133 04	2 058 99	(74 05)
Treasurer	25 417 00	26 963 62	26 518 32	(445 30)
Building and grounds	10 000 00	10 000 00	7 885 61	(2 114 39)
Unallocated	149 200 00	145 231 45	126 910 45	(18 321 00)
Public safety:				
Fire protection	61 930 11	61 930 11	58 458 11	(3 472 00)
Planning and zoning	13 300 00	13 300 00	6 300 19	(6 999 81)
Public works:				
Highways and streets	46 785 00	46 785 00	39 131 45	(7 653 55)
Street lights	3 800 00	3 800 00	3 629 80	(170 20)
Drains	1 000 00	2 999 17	2 999 17	-
Culture and recreation:				
Parks and recreation	10 500 00	11 919 61	11 147 46	(772 15)
Capital outlay	3 000 00	3 000 00	-	(3 000 00)
Debt service	32 487 50	32 487 50	32 462 50	(25 00)
Total expenditures	428 986 61	430 406 22	383 584 98	(46 821 24)
Excess (deficiency) of revenues over expenditures	(33 342 61)	(34 762 22)	14 477 48	49 239 70
Fund balance, April 1	33 342 61	34 762 22	235 793 06	201 030 84
Fund Balance, March 31	-	-	250 270 54	250 270 54

TOWNSHIP OF RILEY
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE -- WASTE DISPOSAL FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	1 000 00	1 000 00	2 472 69	1 472 69
Special assessments	<u>155 000 00</u>	<u>155 000 00</u>	<u>191 784 47</u>	<u>36 784 47</u>
Total revenues	<u>156 000 00</u>	<u>156 000 00</u>	<u>194 257 16</u>	<u>38 257 16</u>
Expenditures:				
Public works:				
Sanitation	<u>148 000 00</u>	<u>148 000 00</u>	<u>163 664 93</u>	<u>15 664 93</u>
Total expenditures	<u>148 000 00</u>	<u>148 000 00</u>	<u>163 664 93</u>	<u>15 664 93</u>
Excess of revenues over expenditures	8 000 00	8 000 00	30 592 23	22 592 23
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>116 168 34</u>	<u>116 168 34</u>
Fund Balance, March 31	<u>8 000 00</u>	<u>8 000 00</u>	<u>146 760 57</u>	<u>138 760 57</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>464 590 65</u>	<u>3 101 648 57</u>	<u>3 547 089 86</u>	<u>19 149 36</u>
<u>Liabilities</u>				
Due to other funds	1 921 84	294 210 08	291 392 53	4 739 39
Due to others	<u>462 668 81</u>	<u>2 807 438 49</u>	<u>3 255 697 33</u>	<u>14 409 97</u>
Total Liabilities	<u>464 590 65</u>	<u>3 101 648 57</u>	<u>3 547 089 86</u>	<u>19 149 36</u>
<u>ORDINANCE FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>48 755 45</u>	<u>28 490 18</u>	<u>33 439 84</u>	<u>43 805 79</u>
<u>Liabilities</u>				
Due to other funds	516 59	740 18	1 189 84	66 93
Due to others	<u>48 238 86</u>	<u>27 750 00</u>	<u>32 250 00</u>	<u>43 738 86</u>
Total Liabilities	<u>48 755 45</u>	<u>28 490 18</u>	<u>33 439 84</u>	<u>43 805 79</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>513 346 10</u>	<u>3 130 138 75</u>	<u>3 580 529 70</u>	<u>62 955 15</u>
<u>Liabilities</u>				
Due to other funds	2 438 43	294 950 26	292 582 37	4 806 32
Due to others	<u>510 907 67</u>	<u>2 835 188 49</u>	<u>3 287 947 33</u>	<u>58 148 83</u>
Total Liabilities	<u>513 346 10</u>	<u>3 130 138 75</u>	<u>3 580 529 70</u>	<u>62 955 15</u>

TOWNSHIP OF RILEY
St. Clair County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2007

Cash in bank – beginning of year	<u>464 590 65</u>
Cash receipts:	
Property taxes	3 097 377 23
Interest	<u>4 271 34</u>
Total cash receipts	<u>3 101 648 57</u>
Total beginning balance and cash receipts	<u>3 566 239 22</u>
Cash disbursements:	
Armada Area Schools	145 393 42
Capac Public Schools	205 744 17
Macomb ISD	47 093 14
Memphis Community Schools	471 902 60
Yale Area Schools	14 103 61
St. Clair County	2 366 667 07
Township General Fund	100 427 89
Township Waste Disposal Fund	190 964 64
Refunds	<u>4 793 32</u>
Total cash disbursements	<u>3 547 089 86</u>
Cash in Bank – End of Year	<u><u>19 149 36</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 22, 2007

To the Township Board
Township of Riley
St. Clair County, Michigan

We have audited the financial statements of the Township of Riley for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Riley in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Riley
St. Clair County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants